

Message Text

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PAGE 01 ISLAMA 06914 081105Z

17

ACTION EB-07

INFO OCT-01 NEA-10 IO-13 ISO-00 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 FEA-01

AF-08 ARA-10 EA-09 EUR-12 OIC-02 /159 W

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 6408

INFO USMTN GENEVA

UNCLAS ISLAMABAD 6914

E.O. 11652: N/A

TAGS: ETRD, MTN, GSP, PK

SUBJ: GSP AND MTN: FAVORABLE TREATMENT FOR PAKISTAN
HANDKNOTTED CARPETS

REFS: (A) 75 ISLAMABAD 11779; (B) STATE 7171,
(C) STATE 31268; (D) JUNE 8, 1976 MEMCON FROM
SAHMAD, EB/OT/GCP

SUMMARY: COMMERCE MINISTRY HAS MADE STRONG REPRESENTATIONS
TO EMBASSY REQUESTING CLARIFICATION ON QUESTIONS RELATING
TO GSP TREATMENT OF HANDKNOTTED CARPETS AND FAVORABLE
USG TREATMENT OF THIS ITEM IN GSP AND/OR MTN. GOP DOES
NOT UNDERSTAND WHY THIS ITEM IS BEING BARRED FROM GSP.
GOP CLAIMS TO HAVE FOUND LITTLE OF VALUE IN THE US MTN
TROPICAL PRODUCTS OFFERS TO PAKISTAN AND CLAIMS THAT
RECENT MTN OFFER ON CARPETS IS SO DEFINED THAT THE BULK
OF PAKISTAN'S CARPETS EXPORTS TO THE US WOULD NOT QUALIFY.
EMD SUMMARY.

1. DR. A.H. KHAN, JOINT SECRETARY, MINCOMMERCE, CALLED
UNCLASSIFIED

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PAGE 02 ISLAMA 06914 081105Z

IN EMBOFF JULY 7 TO DISCUSS SITUATION REGARDING PAKISTAN'S

CARPET EXPORTS. KHAN REQUESTED AN EXPLANATION AGAIN OF WHY THIS ITEM COULD NOT BE GRANTED DUTY-FREE TREATMENT UNDER GSP. EMBOFF SAID HE WAS NOT FULLY COGNIZANT OF ALL DETAILS BUT THAT DEPT HAD EXPLAINED THAT TEXTILE CATEGORY 132 COVERING WOOL CARPETS IS INCLUDED IN US TEXTILE AGREEMENTS WITH SOME COUNTRIES AND THEREFORE EXEMPT FROM GSP UNDER SECTION 503(C)(1)(A) OF THE TRADE ACT OF 1974. KHAN QUESTIONED THAT THIS WAS POSSIBLE AS PAKISTAN'S CARPETS WOULD BE EXEMPT FROM BILATERAL TEXTILE AGREEMENTS UNDER ARTICLE 12, PARAGRAPH THREE OF THE INTERNATIONAL MULTIFIBER AGREEMENT. THIS PARAGRAPH EXEMPTS FROM TEXTILE AGREEMENTS THE EXPORTS OF HAND LOOMED FABRICS OF THE COTTAGE INDUSTRIES OF DEVELOPING COUNTRIES. EMBOFF AGREED TO SEEK CLARIFICATION OF THIS POINT.

2. KHAN THEN TURNED TO A RECENT OFFER OF THE UNITED STATES IN THE TROPICAL PRODUCTS COMMITTEE OF MTN TO REDUCE THE MFN RATE OF DUTY ON FLOOR COVERINGS OF HAND-KNOTTED PILE OR TUFTED TEXTILE MATERIALS VALUED OVER 66 2/3 CENTS PER SQUARE FOOT CONTAINING 200 OR MORE KNOTS PER SQUARE INCH FROM ELEVEN PERCENT TO 4.4 PERCENT AD VALOREM. ACCORDING TO KHAN, VIRTUALLY ALL OF THE HAND-KNOTTED CARPETS EXPORTED FROM PAKISTAN TO THE US CONTAIN LESS THAN 200 KNOTS PER SQUARE INCH AND WOULD THEREFORE NOT BENEFIT FROM THIS OFFER. KHAN STATED THAT THE ONLY COUNTRY WHICH MIGHT BENEFIT WOULD BE IRAN. HE FOUND IT DIFFICULT TO UNDERSTAND WHY THE US WOULD WISH TO OFFER SPECIAL TRADE ASSISTANCE TO AN OPEC COUNTRY. KHAN SAID THAT THE GOP HOPED THAT THE USG WOULD BE ABLE TO REACH SOME BROADER DEFINITION IN ITS OFFER WHICH WOULD ASSIST DEVELOPING COUNTRIES LIKE PAKISTAN. AS PAKISTAN'S CARPETS ARE GENERALLY OF HIGHER VALUE THAN MASS-PRODUCED, MACHINE MADE CARPETS OF THE US, KHAN SUGGESTED THAT SOME DEFINITION BASED UPON VALUE MIGHT BE ADOPTED.

3. KHAN SAID THAT PAKISTAN'S HIGHLY ADVERSE BALANCE OF TRADE WAS FORCING THE GOP TO BECOME MUCH MORE "VOCIFEROUS" IN ITS REQUEST FOR TRADE CONCESSIONS AND THE GOP HAD CONCLUDED THAT RECENT US TRADE OFFERS WERE OF LITTLE ASSISTANCE TO PAKISTAN. THE GOP HAD CAREFULLY UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ISLAMA 06914 081105Z

STUDIED THE US GSP LIST AND FOUND FEW ITEMS OFFERING HOPE FOR INCREASED OR NEW EXPORTS. PAKISTAN HAD TO ACCEPT THE FACT THAT TEXTILES WERE EXCLUDED FROM GSP BUT HOPED THAT THE HAND-LOOM, COTTAGE INDUSTRY TEXTILES COULD BE INCLUDED

4. WITHIN MTN, PAKISTAN ALSO FOUND NOTHING OF REAL VALUE IN THE USG OFFERS. ALL OF THE US OFFERS WHICH MIGHT INTEREST PAKISTAN ARE ALREADY COVERED UNDER US GSP. MFN TREATMENT WOULD THEREFORE ONLY SERVE TO DILUTE

GSP ADVANTAGES. KHAN POINTED OUT THAT HAND-KNOTTED CARPETS ARE NOW PAKISTAN'S FIFTH LARGEST EXPORT; ARE EXPECTED TO EARN DOLS70 MILLION THIS PRESENT FISCAL YEAR; ARE LABOR INTENSIVE; AND ARE DECENTRALIZED THROUGHOUT SOME OF THE MOST REMOTE AND ECONOMICALLY BACKWARD AREAS OF PAKISTAN.

5. ACTION REQUESTED: EMB WOULD APPRECIATE INFORMATION WHICH IT COULD PROVIDE GOP ON SPECIFIC ACTIONS, IF ANY, BEING TAKEN IN WASHINGTON TO PROVIDE RELIEF TO PAKISTAN IN THIS CATEGORY. WE WOULD ALSO APPRECIATE WASHINGTON'S VIEWS ON KHAN,S STATEMENT THAT HAND-LOOMED CARPETS ARE EXEMPT FROM BILATERAL TEXTILE AGREEMENTS UNDER THE MULTIFIBER AGREEMENT. KHAN SPECIFICALLY REQUESTED THE NAMES OF COUNTRIES WITH WHOM WE HAVE BILATERALS COVERING THIS TEXTILE CATEGORY. IS IT POSSIBLE TO REDEFINE CATEGORY 132 SO THAT ITEMS INCLUDED IN BILATERAL TEXTILE AGREEMENTS ARE SEPARATED FROM HANDCRAFTED CARPETS?
BYROADE

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